

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

COMPLIANCE REPORT
OF

INDIANA VETERANS' AFFAIRS COMMISSION
AND
INDIANA DEPARTMENT OF VETERANS' AFFAIRS
STATE OF INDIANA

January 1, 2016 to June 30, 2018



FILED
01/04/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Chairperson of the Indiana Veterans' Affairs Commission	Richard Jewel Erika Steuterman	07-01-14 to 06-30-17 07-01-17 to 06-30-19
Director of the Indiana Department of Veterans' Affairs	James Brown	01-09-17 to 12-28-18



STATE OF INDIANA

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TO: THE OFFICIALS OF THE INDIANA VETERANS' AFFAIRS COMMISSION
AND THE INDIANA DEPARTMENT OF VETERANS' AFFAIRS

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of the Indiana Veterans' Affairs Commission and the Indiana Department of Veterans' Affairs, for the period of January 1, 2016 to June 30, 2018, to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. Additionally, we performed certain procedures over payments made from the Military Family Relief Fund for the period July 1, 2014 to November 30, 2018.

The Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Results and Comments, incorporated within this report, was not verified for accuracy.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

December 14, 2018

INDIANA VETERANS' AFFAIRS COMMISSION
INDIANA DEPARTMENT OF VETERANS' AFFAIRS
RESULTS AND COMMENTS

ADOPTION OF RULES

The Indiana Veterans' Affairs Commission and/or the Indiana Department of Veterans' Affairs did not adopt rules or have written policies and procedures in place over the following funds in accordance with the Indiana Code.

- Indiana State Veterans' Cemetery
- Military Family Relief Fund
- Veterans Disability Clinic Fund
- Veterans' Affairs Trust Fund
- Grants for Veterans' Services
- Hoosier Women Veterans Program

Indiana State Veterans' Cemetery

Indiana Code 10-17-11-7 states in part:

"The department may do the following:

- (1) Adopt rules under [IC 4-22-2](#) to carry out this chapter. . . ."

Military Family Relief Fund

Indiana Code 10-17-12-10 states:

"(a) The commission shall adopt rules under [IC 4-22-2](#) for the provision of grants under this chapter. Subject to subsection (b), the rules adopted under this section must address the following:

- (1) Uniform need determination procedures.
- (2) Eligibility criteria, including income eligibility standards, asset limit eligibility standards, and other standards concerning when assistance may be provided.
- (3) Application procedures.
- (4) Selection procedures.
- (5) A consideration of the extent to which an individual has used assistance available from other assistance programs before assistance may be provided to the individual from the fund.
- (6) Other areas in which the department determines that rules are necessary to ensure the uniform administration of the grant program under this chapter.

INDIANA VETERANS' AFFAIRS COMMISSION
INDIANA DEPARTMENT OF VETERANS' AFFAIRS
RESULTS AND COMMENTS
(Continued)

- (b) The following apply to grants awarded under this chapter:
 - (1) An applicant is not eligible for a grant from the fund if:
 - (A) the qualified service member with respect to whom the application is based has been discharged; and
 - (B) the qualified service member's term of qualifying military service was less than twelve (12) months.
 - (2) The income eligibility standards must be based on the federal gross income of the qualified service member and the qualified service member's spouse."

Veterans Disability Clinic Fund

Indiana Code 10-17-12.5-9 states: "The commission may adopt rules under [IC 4-22-2](#) to implement this chapter."

Veterans' Affairs Trust Fund

Indiana Code 10-17-13-10 states:

- "(a) The commission shall manage and develop the fund and the assets of the fund.
- (b) The commission shall do the following:
 - (1) Carry out the duties of the commission set forth in [IC 10-17-1](#).
 - (2) Establish written guidelines that specify the criteria for determining priority of applications for the purpose of providing financial assistance to qualified service members or dependents of qualified service members as described under [IC 10-17-12-8\(c\)](#).
 - (3) Establish a policy to determine annually the maximum total dollar amount that may be expended for each state fiscal year from the military family relief fund established by [IC 10-17-12-8](#).
 - (4) Establish a policy for the investment of the assets of the fund. In establishing a policy under this subdivision, the commission shall:
 - (A) establish adequate long term financial goals for the fund; and
 - (B) provide adequate funding for the military family relief fund established by [IC 10-17-12-8](#).
 - (5) Acquire money for the fund through the solicitation of private or public donations and other revenue producing activities.
 - (6) Perform other tasks consistent with prudent management and development of the fund."

INDIANA VETERANS' AFFAIRS COMMISSION
INDIANA DEPARTMENT OF VETERANS' AFFAIRS
RESULTS AND COMMENTS
(Continued)

Indiana Code 10-17-13-14 states: "The commission shall adopt rules under [IC 4-22-2](#) to implement this chapter."

Grants for Veterans' Services

Indiana Code 10-17-13.5-5 states:

"The department shall adopt rules under [IC 4-22-2](#) for the provision of grants under this chapter. The rules adopted under this section must address the following:

- (1) Application procedures.
- (2) Eligibility criteria.
- (3) Selection procedures.
- (4) A consideration of the extent to which a qualified entity has used assistance available from other assistance programs before assistance may be provided to the qualified entity from the fund.
- (5) Department oversight and verification of use of funds received by qualified entities.
- (6) Other areas in which the department determines that rules are necessary to ensure the uniform administration of the grant program under this chapter."

Hoosier Women Veterans Program

Indiana Code 10-17-14-10 states: "The department may adopt rules under [IC 4-22-2](#) to implement this chapter."

INTERNAL CONTROLS OVER THE MILITARY FAMILY RELIEF FUND

The Indiana Department of Veterans' Affairs (IDVA) has written Standard Operating Procedures for the Military Family Relief Fund. The Standard Operating Procedures did not provide sufficient internal controls that would provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of managements' objectives, and compliances with laws and regulation. The following deficiencies were identified:

- The effective date of the Standard Operating Procedures was not included.
- How documentation to support the applicant's eligibility will be maintained.
- What documentation is acceptable to support the applicant's eligibility.
- Procedures to follow if the applicant is an employee of the IDVA.
- Procedures to track awards provided to recipient in total.
- Procedures to document the person who processed and made the initial determination of the application.

INDIANA VETERANS' AFFAIRS COMMISSION
INDIANA DEPARTMENT OF VETERANS' AFFAIRS
RESULTS AND COMMENTS
(Continued)

- Procedures to document the person who made the final review of initial determination.
- Procedures to document justification and approval for awards over the \$2,500 lifetime maximum.

Each agency, department, quasi, institution or office should have internal controls in effect to provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of managements' objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and forms of information processing are part of an internal control system. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Organizational Overview--General Guidelines & Policy)

Supporting documentation such as receipts, canceled checks, invoices, bills, contracts, etc., must be made available for audit to provide supporting information for the validity and accountability of monies received or disbursed. Documents must be filed in such a manner as to be readily retrievable or otherwise reasonably obtainable, upon request, during an audit. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Organizational Overview--General Guidelines & Policy)

MILITARY FAMILY RELIEF FUND

As noted in the above comment titled "Adoption of Rules," the Indiana Veterans' Affairs Commission (Commission) did not adopt rules for the provision of grants from the Military Family Relief Fund.

The rulemaking process for the Military Family Relief Fund has been initiated and a Notice of Intent was filed in May 2018 under Legislative Services Agency Document # 18-243, but as of the date of this report, the final rule has not yet been adopted.

Resolution 2014-1, Resolution 2015-1, and Indiana Code 10-17-12 were used by the Indiana Department of Veterans' Affairs (IDVA) to administer the Military Family Relief Fund.

Resolution 2014-1

Dated April 30, 2014:

- Veteran had to have received an honorable discharge after 9/11/2001, or is in good standing with current unit.
- First time applicants will be given priority processing.
- A lifetime award of \$2,500 may be granted.

Resolution 2015-1

Dated October 9, 2015:

- At the discretion of the Director of the IDVA on a case by case basis and with a demonstrated, justified need, a Veteran's lifetime award may exceed \$2,500. This provision is to be utilized on a very limited basis.

INDIANA VETERANS' AFFAIRS COMMISSION
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RESULTS AND COMMENTS
(Continued)

Indiana Code 10-17-12

Sec. 0.5. This chapter applies after December 31, 2006. As added by P.L.58-2006, SEC.8.

Sec. 0.7 The purpose of the fund established in section 8 of this chapter is to provide short term financial assistance, including emergency one (1) time grants, to families of qualified service members for hardships that result from the qualified service members' military service. As added by P.L.50-2009, SEC.1. Amended by P.L.169-2013, SEC.4; P.L.99-2016, SEC.6

Sec. 2. As used in this chapter, "armed forces" includes the active or reserve components of the following:

- (1) The United States Army.
- (2) The United States Navy.
- (3) The United States Marine Corps.
- (4) The United States Air Force.
- (5) The United States Coast Guard.

As added by P.L.58-2006, SEC.8. Amended by P.L.50-2009, SEC.3.

Sec. 3.5. As used in this chapter, "commission" refers to the Indiana veterans' affairs commission established by [IC 10-17-13-4](#). As added by P.L.113-2010, SEC.76.

Sec. 4. As used in this chapter, "department" refers to the Indiana department of veterans' affairs established by [IC 10-17-1-2](#). As added by P.L.58-2006, SEC.8.

Sec. 5. As used in this chapter, "director" refers to the director of veterans' affairs. As added by P.L.58-2006, SEC.8.

Sec. 5.5. As used in this chapter, "dependent" has the meaning set forth in 37 U.S.C. 401, as in effect on January 1, 2009. As added by P.L.50-2009, SEC.4.

Sec. 6. As used in this chapter, "fund" refers to the military family relief fund established by section 8 of this chapter. As added by P.L.58-2006, SEC.8.

Sec. 7. As used in this chapter, "national guard" means:

- (1) the Indiana Army National Guard; or
- (2) the Indiana Air National Guard. As added by P.L.58-2006, SEC.8.

Sec. 7.5. As used in this chapter, "qualified service member" means an individual who is an Indiana resident and who:

INDIANA VETERANS' AFFAIRS COMMISSION
INDIANA DEPARTMENT OF VETERANS' AFFAIRS
RESULTS AND COMMENTS
(Continued)

- (1) is:
 - (A) a member of the armed forces of the United States or the national guard (as defined in [IC 5-9-4-4](#)); and
 - (B) serving on or has served on active duty during a time of national conflict or war; or
- (2) has:
 - (A) served on active duty during a time of national conflict or war in:
 - (i) the armed forces of the United States; or
 - (ii) the national guard (as defined in [IC 5-9-4-4](#)); and
 - (B) received an honorable discharge.

As added by P.L.50-2009, SEC.5. Amended by P.L.99-2016, SEC.8.

Sec. 8.

- (a) The military family relief fund is established to provide short term assistance with food, housing, utilities, medical services, basic transportation, child care, education, employment or workforce, and other essential family support expenses that have become difficult to afford for qualified service members or dependents of qualified service members.
- (b) Except as provided in section 9 of this chapter, the commission shall expend the money in the fund exclusively to provide grants for assistance as described in subsection (a).
- (c) The commission shall give priority to applications for grants for assistance from the fund to qualified service members or dependents of qualified service members who have never received a grant under this chapter.
- (d) Subject to the approval of the budget agency, the commission shall establish the maximum total dollar amount of grants that may be expended in a state fiscal year. Once the maximum total dollar amount of grants that may be expended in a state fiscal year is reached, Indiana Code 2018 no additional grants may be authorized until the start of the following state fiscal year.
- (e) The director shall each year provide a report to the budget committee concerning the grant program under this chapter.
- (f) A qualified service member or the qualified service member's dependent may be eligible to receive assistance from the fund.
- (g) The commission shall administer the fund.

As added by P.L.58-2006, SEC.8. Amended by P.L.144-2007, SEC.12; P.L.151-2007, SEC.2; P.L.3-2008, SEC.86; P.L.50-2009, SEC.6; P.L.113-2010, SEC.77; P.L.54-2012, SEC.1; P.L.169-2013, SEC.5; P.L.7-2014, SEC.1; P.L.99-2016, SEC.9.

INDIANA VETERANS' AFFAIRS COMMISSION
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Sec. 9.

(a) The fund consists of the following:

- (1) Appropriations made by the general assembly.
- (2) Donations to the fund.
- (3) Interest.
- (4) Money transferred to the fund from other funds.
- (5) Annual supplemental fees collected under [IC 9](#).
- (6) Money from any other source authorized or appropriated for the fund.

(b) The commission shall transfer the money in the fund not currently needed to provide assistance or meet the obligations of the fund to the veterans' affairs trust fund established by [IC 10-17-13-3](#).

(c) Money in the fund at the end of a state fiscal year does not revert to the state general fund or to any other fund.

(d) There is annually appropriated to the commission for the purposes of this chapter all money in the fund not otherwise appropriated to the commission for the purposes of this chapter.

As added by P.L.58-2006, SEC.8. Amended by P.L.144-2007, SEC.13; P.L.50-2009, SEC.7; P.L.113-2010, SEC.78; P.L.198-2016, SEC.635.

Sec. 10.

(a) The commission shall adopt rules under [IC 4-22-2](#) for the provision of grants under this chapter. Subject to subsection (b), the rules adopted under this section must address the following:

- (1) Uniform need determination procedures.
- (2) Eligibility criteria, including income eligibility standards, asset limit eligibility standards, and other standards concerning when assistance may be provided.
- (3) Application procedures.
- (4) Selection procedures.
- (5) A consideration of the extent to which an individual has used assistance available from other assistance programs before assistance may be provided to the individual from the fund.
- (6) Other areas in which the department determines that rules are necessary to ensure the uniform administration of the grant program under this chapter.

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(b) The following apply to grants awarded under this chapter:

(1) An applicant is not eligible for a grant from the fund if:

(A) the qualified service member with respect to whom the application is based has been discharged; and

(B) the qualified service member's term of qualifying military service was less than twelve (12) months.

(2) The income eligibility standards must be based on the federal gross income of the qualified service member and the qualified service member's spouse.

As added by P.L.58-2006, SEC.8. Amended by P.L.144-2007, SEC.14; P.L.113-2010,

Sec. 11. The director or a member of the commission may make a request to the general assembly for an appropriation to the fund. As added by P.L.58-2006, SEC.8. Amended by P.L.144-2007, SEC.15; P.L.113-2010, SEC.80.

Sec. 12. The director shall establish the capability to receive donations to the fund from the public on the department's Internet site. As added by P.L.58-2006, SEC.8.

The IDVA maintained an Excel spreadsheet to track veterans that applied for a Military Family Relief Fund award. The spreadsheet included, in part, the following:

- Veteran's name
- Status of the application
- Date application received
- Date of award determination letter
- Amount requested
- If approved, amount award

We compared the total amount awarded per the spreadsheet for the period July 1, 2014 to November 30, 2018, to the amount paid in PeopleSoft, the State's accounting system.

For the period July 1, 2014 to November 30, 2018, we identified the following:

- 5,755 different applicants applied for assistance 6,702 times.
- 4,604 applicants were approved for at least one award totaling \$8,828,579.
- 979 applicants were denied for at least one award for various reasons including:

INDIANA VETERANS' AFFAIRS COMMISSION
INDIANA DEPARTMENT OF VETERANS' AFFAIRS
RESULTS AND COMMENTS
(Continued)

- Veteran exhausted the funds available based on Resolution 2014-1.
- Veteran did not meet the minimum number of months (12) of active duty.
- Veteran did not receive an honorable discharge.
- Veteran requested funds not allowed under the guidelines.
- Veteran did not provide documentation of financial hardship.
- Veteran was not an Indiana resident.
- 88 applicants (5 of which were employed by IDVA at the time of the award), received more than \$2,500 in total awards, totaling \$350,493.
- 448 applications were closed due to non-response by applicant for additional information.
- 67 applications are on hold due to request to provide additional information.
- Approved applications took on average 9.4 days to approve.
- Denied applications took on average 6.5 days to deny.
- 15 of the applicants that received an award were employees of the IDVA, during our review period, either through a contractor or the State. 11 of these were employees at the time of the award, 3 were employed subsequent to the award, and 1 received an award prior to employment and an award during employment.

We selected 51 payments that were posted to Peoplesoft from the Military Family Relief Fund during the period July, 1, 2014 to June 30, 2018, to test. The selected payments were not chosen randomly.

Of the 51 selected, 3 were an unallowed expenditure of the Military Family Relief Fund; however, were allowed as an expenditure of the IDVA. We recommended these unallowed expenditures be transferred to the proper fund. The unallowed expenditures were removed, which left 48 remaining payments that we tested. Of the 48 payments:

- 29 recipients' files did not contain documentation to support that the recipient's hardship was the result from the qualified service member's military service in accordance with IC 10-17-12-0.7.
- 1 recipient received an "under other than honorable conditions" discharge. A qualified service member is an individual who received an honorable discharge. IC 10-17-12-7.5(2)(B).
- 1 recipient did not have documentation of the recipient's military service discharge to provide evidence to support they were eligible to be considered a qualified service member in accordance with IC 10-17-12-7.5.
- 35 awards were paid directly to the recipient and the recipient's file did not include documentation as evidence the recipient used the award in accordance with IC 10-17-12-8(a).

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- 11 exceeded the \$2,500 lifetime maximum; however, there was no evidence of a demonstrated, justifiable need as required by Resolution 2015-1. 7 of the 11 award letters were signed by the IDVA Director and 4 were signed by the IDVA Deputy Director.

INTERNAL CONTROLS OVER THE INDIANA VETERANS' AFFAIRS COMMISSION

The Indiana Veterans' Affairs Commission (Commission) did not have internal controls in place to document the decisions made by the Commission. Minutes for calendar years 2012 through 2018, did not provide documentation of the following:

- Votes on decisions made.
- Copies of rules, resolutions and internal policies created, with the Commission member's signatures on them to show as evidence, that the rules had been approved by the Commission.
- Signatures by the Commission's members on the meeting's minutes, to show as evidence, that the minutes had been approved by the Commission.

Each agency, department, quasi, institution or office should have internal controls in effect to provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of managements' objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and forms of information processing are part of an internal control system. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Organizational Overview--General Guidelines & Policy)

Indiana Code 10-17-1-6(b) states in part:

"The duties of the director include the following:

- (1) To attend all meetings of the commission and to act as secretary and keep minutes of the commission's proceedings. . . ."

Indiana Code 10-17-13-5 states:

"The commission consists of the following members:

- (1) Six (6) members appointed by the governor, as provided in this subdivision. The governor shall consider the following when making appointments under this subdivision:
 - (A) Membership in a veterans association established under [IC 10-18-6](#).
 - (B) Service in the armed forces of the United States (as defined in [IC 5-9-4-3](#)) or the national guard (as defined in [IC 5-9-4-4](#)).
 - (C) Experience in education, including higher education, vocational education, or adult education.
 - (D) Experience in investment banking or finance.

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The governor shall designate one (1) member appointed under this subdivision to serve as chairperson of the commission.

- (2) One (1) county service officer appointed by the governor.
- (3) The director of veterans' affairs appointed under [IC 10-17-1-5](#) or the director's designee.
- (4) The adjutant general of the military department of the state appointed under [IC 10-16-2-6](#) or the adjutant general's designee.
- (5) Four (4) members of the general assembly appointed as follows:
 - (A) Two (2) members of the senate, one (1) from each political party, appointed by the president pro tempore of the senate with advice from the minority leader of the senate.
 - (B) Two (2) members of the house of representatives, one (1) from each political party, appointed by the speaker of the house of representatives with advice from the minority leader of the house of representatives.

Members appointed under this subdivision are nonvoting, advisory members and must serve on a standing committee of the senate or house of representatives that has subject matter jurisdiction over military and veterans affairs."

Indiana Code 10-17-13-6 states: "The commission shall meet at least quarterly at the call of the chairperson of the commission."

Indiana Code 10-17-13-7 states: "Five (5) voting members of the commission constitute a quorum. The affirmative vote of five (5) members of the commission is necessary for the commission to take action."

Indiana Code 5-14-1.5-4 states:

"(a) A governing body of a public agency utilizing an agenda shall post a copy of the agenda at the entrance to the location of the meeting prior to the meeting. A rule, regulation, ordinance, or other final action adopted by reference to agenda number or item alone is void.

(b) As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken by individual members if there is a roll call.
- (5) Any additional information required under section 3.5 or 3.6 of this chapter or any other statute that authorizes a governing body to conduct a meeting using an electronic means of communication.

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INDIANA DEPARTMENT OF VETERANS' AFFAIRS
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(c) The memoranda are to be available within a reasonable period of time after the meeting for the purpose of informing the public of the governing body's proceedings. The minutes, if any, are to be open for public inspection and copying."

INDIANA VETERANS' AFFAIRS COMMISSION
INDIANA DEPARTMENT OF VETERANS' AFFAIRS
EXIT CONFERENCE

The contents of this report were discussed on December 14, 2018, with James Brown, Director of the Indiana Department of Veterans' Affairs and Matthew Vincent, Deputy Director of the Indiana Department of Veterans' Affairs.

The contents of this report were discussed on December 17, 2018, with Erika Steuterman, Chairperson of the Indiana Veterans' Affairs Commission.

STATE OF INDIANA

DEPARTMENT OF VETERANS AFFAIRS
302 WEST WASHINGTON STREET ROOM E120
INDIANAPOLIS, INDIANA 46204-2738



Eric J. Holcomb, Governor
James M. Brown, Director

Dear Sirs and Madam,

The Indiana Department of Veterans' Affairs and the Indiana Veterans' Affairs Commission appreciates the professionalism of and courtesies extended by the State Board of Accounts audit team during the recent compliance review.

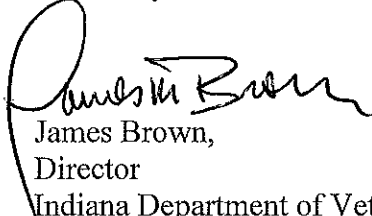
The Commission's Military Family Relief Fund (MFRF) proposed rules are still undergoing the promulgation processes. The proposed rule will be the subject of a second, public, promulgation hearing on January 3, 2019. In the interim, as your findings recite, IDVA has administered the MFRF using IC 10-17-12, Commission Resolution 2014-1, Resolution 2015-1, and the Department's standard operating procedures. We now understand that those policies and procedures did not provide the necessary system of internal controls.

The Commission and Department will improve written policies and procedures over each of the enumerated programs (except for the Veterans Disability Clinic Fund, for which no monies have never been appropriated). The revised criteria will be submitted to SBoA for review and comment; and, where required, undergo the rule promulgation processes.

In addition, future Commission minutes will record votes, be appropriately signed, and documentation of policies created will be preserved.

Thank you for your help as we aid Hoosier veterans and their families secure the benefits and advantages Indiana and the U.S. government provides for them.

Sincerely,



James Brown,
Director
Indiana Department of Veterans Affairs



Erika Steuterman,
Chairman
Indiana Veterans' Affairs Commission

DVA-SBoA.12.21.18